

## Message Text

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PARIS FOR OECD

E.O. 11652: N/A  
TAGS:EINV  
SUBJECT: UN COMMISSION ON TRANSNATIONAL CORPORATIONS:  
DISCUSSION ON COMPREHENSIVE STUDY OF  
ACCOUNTING STANDARDS, DEFINITIONS, AND CONSUMER  
PROTECTION.

REF: VIENNA 4837 AND PREVIOUS

1. CONSIDERATION OF CENTER STUDY ON "TRANSNATIONAL  
CORPORATIONS IN WORLD DEVELOPMENT: A RE-EXAMINATION"  
(ITEM 7 (A)); FEW G-77 DELEGATIONS RECEIVED COMPREHENSIVE  
STUDY IN SUFFICIENT TIME TO PREPARE FOR DETAILED  
DISCUSSION. SUBSTANTIVE COMMENTS DURING PLENARY  
(MAY 18) THEREFORE WERE FEW AND HEAVILY REFLECTED  
GENERAL OECD COUNTRY CONCERNS ABOUT BALANCE BETWEEN  
POSITIVE AND NEGATIVE EFFECTS OF TNC'S, ADEQUATE  
RELATIONSHIPS TO GLOBAL ECONOMIC AND DEVELOPMENT  
ISSUES, COMPARABILITY OF DATA, AND PRESENTATION,  
INTERPRETATION, AND ACCURACY OF FACTUAL DATA.

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EAST BLOC COMMENTS CRITICIZED LACK OF USE OF EAST  
EUROPEAN SOURCES ON TNC'S AND DEVELOPMENT. THERE WAS  
A BRIEF EXCHANGE OF VIEWS WITH OECD COUNTRIES ON  
INCLUSION OF STATE-OWNED AND MIXED ENTERPRISES IN  
CENTER'S RESEARCH WORK.

2. THERE WAS CONSIDERABLE DISCUSSION OF STATUS OF

REPORT. CENTER WILL, AT REQUEST OF A NUMBER OF DELS, INCLUDING U.S., SEEK CHANGE IN PUBLISHER'S NOTE WHICH MISLEADINGLY SUGGESTS THAT STUDY CARRIES ENDORSEMENT OF COMMISSION, RATHER THAN BEING MERELY AN INFORMATIONAL ITEM PREPARED FOR ITS USE. CONCERN WAS ALSO EXPRESSED BY OECD COUNTRIES THAT ANY OFFER OF COMMENTS OR CORRECTIONS BY MEMBERS SHOULD NOT BE CONSIDERED TO IMPLY ENDORSEMENT OF THE STUDY, SINCE ANY COMMENTS COULD NOT BE EXHAUSTIVE WITH RESPECT TO SUCH A LARGE AND DETAILED REPORT. THE CONCLUSION OF THE COMMISSION REPORT ON THIS ITEM APPROVED FRIDAY, MAY 26, REFLECTS CONSENSUS THAT STUDY REQUIRED NO ENDORSEMENT OR OTHER ACTION BY THE COMMISSION, AND THEREFORE SIMPLY "NOTES" THE STUDY AND ITS USEFULNESS. IT ALSO CONTAINS AN INVITATION TO MEMBERS TO OFFER CORRECTIONS OF FACTUAL ERRORS WHICH WILL BE INCLUDED IN A CORRIGENDUM TO BE ISSUED IN DUE COURSE BY THE CENTER. REPORT ALSO NOTES THAT MEMBERS MAY OFFER GENERAL COMMENTS AND OBSERVATIONS, AS WELL AS CORRECTIONS, WHICH CENTER WILL TAKE INTO ACCOUNT IN ITS FUTURE WORK.

3. THERE WAS A CONSENSUS ON THE UTILITY OF PRODUCTION OF A SEQUEL IN FIVE YEARS.

4. STANDARDS OF ACCOUNTING AND REPORTING (ITEM 9.B.).  
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DISCUSSION IN FULL COMMISSION OF THIS ITEM ON 23RD AND 24TH WAS RELATIVELY BRIEF. G77 CALLED FOR THE IMMEDIATE ESTABLISHMENT OF AN INTERGOVERNMENTAL GROUP OF EXPERTS AS RECOMMENDED BY THE SECRETARY GENERAL. SPOKESMEN FOR THE DEVELOPED COUNTRIES WERE FAR LESS UNIFIED AND THE TONE OF THE PRESENTATIONS VARIED, ESPECIALLY AS TO THE CHARACTER AND MANDATE OF AN INTERGOVERNMENTAL GROUP OF EXPERTS.

5. INDIAN DEL ON BEHALF OF THE G77 PRAISED THE REPORT OF THE GROUP OF EXPERTS. G77 FULLY SUPPORTED RECOMMENDATIONS OF THE GROUP OF EXPERTS INCLUDING THE IMMEDIATE ESTABLISHMENT OF AN INTERGOVERNMENTAL GROUP OF EXPERTS. INDIAN DEL NOTED BUT DOWNPLAYED CRITICISM OF THE REPORT FROM VARIOUS QUARTERS.

6. FRG ON BEHALF OF EEC EMPHASIZED THE COMPLEXITY OF THE TASK. HE STATED THAT RAPID OR COMPREHENSIVE STANDARDIZATION WAS NOT POSSIBLE AND CALLED FOR A STEP-BY-STEP APPROACH. THE NEXT STEP WOULD BE ESTABLISHMENT OF AN INTERGOVERNMENTAL GROUP OF EXPERTS WHICH WOULD REVIEW THE REPORT, ESPECIALLY MINIMUM

DISCLOSURE, AND IDENTIFY AREAS WHERE BROAD AGREEMENT WAS POSSIBLE IN THE FUTURE. HE ENDORSED CONCLUSION OF THE GROUP OF EXPERTS THAT STANDARDS HAD TO APPLY TO DOMESTIC FIRMS AS WELL AS TNC'S.

7. SPOKESMEN FOR SEVERAL OECD COUNTRIES CRITICIZED THE REPORT. THE COMMON THEMES WERE THAT THE REPORT WAS TOO AMBITIOUS, THAT THE PROPOSED MINIMUM LIST WAS TOO EXTENSIVE (GOING BEYOND THE DISCLOSURE REQUIREMENTS OF ALL COUNTRIES), THAT THE REPORT IGNORED THE PROBLEMS OF ACCOUNTING HARMONIZATION AND COMPARABILITY OF DATA,

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AND THAT THERE WAS NO COST-BENEFIT ANALYSIS OF THE NEED FOR SUCH EXTENSIVE DISCLOSURE. HOWEVER, SOME OF THESE COUNTRIES SUPPORTED ESTABLISHMENT OF AN INTERGOVERNMENTAL WORKING GROUP WHICH WOULD FOCUS ON PROBLEMS OF DISCLOSURE (AS OPPOSED TO HARMONIZATION), INCLUDING EEC, U.K., NETHERLANDS, AND FRG. JAPAN DEL STATED THAT GROUP SHOULD BE LIMITED TO EXPLORATION OF BASIC PRINCIPLES FOR THE CODE OF CONDUCT. SWEDISH DEL SUGGESTED THAT THE PRINCIPAL TASK OF A GROUP OF EXPERTS WOULD BE TO DEAL WITH THE PROBLEMS OF IMPLEMENTING THE DISCLOSURE REQUIREMENTS OF THE CODE, ESPECIALLY WITH RESPECT TO HARMONIZATION, WHILE STRESSING THAT THE REPORT'S MINIMUM LIST SHOULD NOT BE VIEWED AS THE DISCLOSURE PORTION OF THE CODE OF CONDUCT. SEVERAL DELS STRESSED THAT ANY DISCLOSURE REQUIREMENTS MUST ALSO APPLY TO PURELY DOMESTIC FIRMS. FRG DEL MADE POINT THAT SUCH REQUIREMENTS MUST APPLY

EQUALLY TO STATE-OWNED ENTERPRISES.

8. U.S. DEL STATED THAT THE REPORT SUBMITTED BY THE EXPERT GROUP WAS NOT IN STRICT CONFORMITY WITH THE CRITERIA ORIGINALLY ESTABLISHED BY THE COMMISSION LIMITED OFFICIAL USE

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(THE DEVELOPMENT OF STANDARD FORMS). SECRETARY GENERAL SHOULD NOT HAVE ENDORSED THE REPORT BEFORE IT HAD BEEN SUBMITTED TO THE COMMISSION. ON THE ISSUE OF SUBSTANCE, HE SAID THAT THE U.S. WAS DISAPPOINTED THAT THE GROUP HAD IGNORED THE KEY ISSUES OF ACCOUNTING STANDARDS AND COMPARABILITY. MOREOVER, DESPITE HIGHLY ADVANCED STANDARDS OF DISCLOSURE IN THE U.S., THE PROPOSED MINIMUM LIST WENT SOMEWHAT BEYOND EVEN U.S. DISCLOSURE REQUIREMENTS AND, IN SOME CASES, WAS IN DIRECT CONFLICT WITH SEC REQUIREMENTS. THE U.S. FOUND RECOMMENDATION OF WORK ON AN INTERNATIONAL TREATY IN THIS AREA PREMATURE. HOWEVER, IN SPITE OF SOME RESERVATIONS, U.S. DEL SAID HE WAS PREPARED TO SUPPORT THE ESTABLISHMENT OF AN AD HOC WORKING GROUP TO SORT OUT THE ISSUES AND TO RECOMMEND TO THE NEXT SESSION OF THE COMMISSION PRIORITIES AND METHODS OF WORK IN THE ESTABLISHMENT OF STANDARD FORMS, HARMONIZATION AND RELEVANT ASPECTS OF DISCLOSURE.

9. EAST GERMAN DEL SUPPORTED THE REPORT OF THE GROUP OF EXPERTS AND SAID THAT THE WORK OF THE OECD AND THE EEC SHOULD NOT BE INCLUDED AS A PART OF THE BASIS FOR FUTURE WORK. MOREOVER, ANY DECISION TO ESTABLISH A NEW GROUP SHOULD NOT PREJUDICE OR LIMIT THE MANDATE OF THE GROUP. THE USSR DEL STATED THAT THE PROPOSED EEC COMPANY DIRECTIVE NOT ACCEPTABLE AS A BASIS FOR FUTURE WORK SINCE IT AIMED AT LIMITING, RATHER THAN EXPANDING, GOVERNMENTAL CONTROL OF THE TNC. HE ALSO REAFFIRMED THAT ANY DISCLOSURE SYSTEM COULD NOT APPLY TO STATE-CONTROLLED ENTERPRISES.

10. DEFINITION OF TNC'S (ITEM 10). LIMITED LIMITED OFFICIAL USE

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DISCUSSION ON THIS ITEM WAS HELD MAY 24TH. FRENCH DEL BEGAN DEBATE BY EXPRESSING VIEW THAT WORKING GROUPS PRESENTLY FUNCTION IN CONFUSION AND THAT A DEFINITION WAS ESSENTIAL IN ORDER FOR THEIR WORK

TO PROCEED MORE CLEARLY. DISTINCTIONS SHOULD BE MADE BETWEEN TNC'S AND LARGE CORPORATIONS, BETWEEN TNC'S AND COMPANIES WITH INVESTMENTS ABROAD, AND BETWEEN TNC'S AND COMPANIES WHICH EXPORT GOODS. TWO CRITERIA WERE FUNDAMENTAL: EXISTENCE OF AN IMPLEMENTATION NETWORK IN FOREIGN COUNTRIES, AND LOCATION OF DECISION-MAKING IN HOME COUNTRY. MODALITIES OF CONTROL, LOCATION OF OWNERSHIP, NATURE OF OWNERSHIP, AND PROFIT/NON-PROFIT STATUS WERE NOT FUNDAMENTAL CONSIDERATIONS. DEFINITION HAD TO BE APPLICABLE IN ALL FORUMS. U.S. DEL NOTED USEFUL BACKGROUND IN ANNEX 1 OF E/C.10/38 AND THAT BASIC CRITERION LAY IN THE EFFECTS OF OWNERSHIP OR CONTROL IN ONE NATION AND ECONOMIC ACTIVITIES OF CONTROLLED ENTITIES IN OTHER NATIONS. THE DEFINITION SHOULD, THEREFORE, INCLUDE TNC'S WITH HEADQUARTERS IN SOCIALIST AND DEVELOPING NATIONS, AND WITH PRIVATE, STATE OR MIXED OWNERSHIP. IT MIGHT BE POSSIBLE TO TAKE USEFUL STEPS EVEN IN ABSENCE OF AN AGREED AND UNIVERSAL DEFINITION OF TNC'S. DEFINITION IN ANY CASE SHOULD BE BROAD AND BASED ON THE TRANSNATIONAL NATURE OF COMPANY ACTIVITIES.

11. USSR, GDR, ROMANIA, AND YUGOSLAVIA ALL SPOKE IN FAVOR OF DEFINITION BASED ON NEGATIVE EFFECTS OF TNC'S REFLECTING PURPOSE OF CODE TO ELIMINATE SUCH EFFECTS AND CONTROL CONCENTRATION OF ECONOMIC POWER AND MEANS OF PRODUCTION. CRITERIA SHOULD BE SIZE AND IMPACT ON WORLD ECONOMY AND FLOW OF

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INTERNATIONAL RESOURCES. TNC'S OF DEVELOPING COUNTRIES SHOULD NOT BE INCLUDED IN DEFINITION BECAUSE THEY REQUIRE PREFERENTIAL TREATMENT. DEFINITION SHOULD BE SPECIFIC AND SHOULD APPLY ONLY TO INTERNATIONAL ENTERPRISES THAT HAVE ADVERSE EFFECTS ON INTERNATIONAL RELATIONS OR HOST COUNTRIES. USSR AND GDR WERE EMPHATIC THAT EAST BLOC ENTERPRISES COULD NOT BE PLACED ON EQUAL FOOTING WITH PRIVATE TNC'S BY INCLUSION IN SUCH A DEFINITION.

12. INDIAN DEL SAID THAT CRITERIA SHOULD BE INTERNATIONALIZATION OF PRODUCTION, INTRA-FIRM TRANSACTIONS, MONOPOLISTIC AND OLIGOPOLISTIC TENDENCIES. HE AGREED WITH USSR THAT DEFINITION SHOULD REFLECT NEGATIVE IMPACT OF TNC'S.

13. SWEDISH DEL NIKLASSON, CHAIRMAN OF CODE OF CONDUCT, SUPPORTED BROAD DEFINITION WITHOUT REGARD FOR COUNTRY OF ORIGIN, OR NATURE OF OWNERSHIP, AND SUGGESTED CRITERIA OF STRUCTURE AND CONTROL, EXCLUDING SIZE. HE POINTEDLY NOTED THAT DIFFERENT DEFINITIONS FOR DIFFERENT PURPOSES MAY BE CALLED FOR.

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14. EXPERT ADVISERS ADDED SOME PERTINENT COMMENTS TO DISCUSSION. JONES (U.S.-IBM) SAID THAT CRITERIA SHOULD BE BASED ON WHETHER COMPANY EMPLOYS WORKERS IN VARIOUS COUNTRIES AND WHETHER FUTURE STRATEGIES ARE EITHER FORMULATED OR CONCURRED IN BY MANAGEMENT OR GOVERNMENT OF HOME COUNTRY. AKUMU (KENYA-AFRICAN TRADE UNION) AGREED WITH JONES SAYING PARTICULARLY THAT SIZE WAS NOT A GOOD CRITERION BECAUSE IT DID NOT NECESSARILY REFLECT INFLUENCE. DEFINITION SHOULD REFLECT THE DIFFERENCE BETWEEN TNC'S OF DEVELOPING COUNTRIES AND OF DEVELOPED COUNTRIES. HE WAS EXPLICIT IN SAYING THAT STATE OWNED TNC'S SHOULD BE INCLUDED IN DEFINITION BECAUSE THEY USED SAME MEANS AS PRIVATE COMPANIES AND NEEDED TO BE REGULATED. TAKKE (FRG-SIEMENS) ADDED THAT DEFINITION SHOULD ALSO INCLUDE COMPANIES THAT ARE INVOLVED IN INTERNATIONAL MARKETING AND NOT ONLY INTERNATIONAL PRODUCTION.

15. CENTER WORK ON CONSUMER PROTECTION: ONLY MATTER ARISING UNDER AGENDA ITEM 11 (ISSUES ARISING FROM UNGA AND ECOSOC DECISIONS) WAS CENTER REPORT FOR SUBMISSION TO SUMMER ECOSOC MEETING, ON NATIONAL LAWS ON CONSUMER PROTECTION, AND NEEDS FOR COOPERATION AND ASSISTANCE IN THIS FIELD. NINETEEN GOVERNMENTS

RESPONDED TO A NOTE FROM THE CENTER REQUESTING INFORMATION, AND AN INTERAGENCY UN MEETING WAS HELD IN VIENNA MAY 21 AND 22 TO REVIEW A DRAFT REPORT. THIS SURVEY IS BEING CARRIED OUT UNDER ECOSOC RESOLUTION 2111 (LXIII).

16. ADDITIONAL CONTRIBUTIONS FOR CENTER TECHNICAL COOPERATION PROGRAM: ON LAST DAY OF SESSION MAY 26, LIMITED OFFICIAL USE

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U.K. DEL ANNOUNCED INTENTION TO CONTRIBUTE, SUBJECT TO PARLIMENTARY APPROVAL, 200,000 POUNDS TO CENTER TECHNICAL COOPERATION PROGRAM. LIKE CANADA, U.K. WILL BE NEGOTIATING WITH CENTER TO CLEARLY IDENTIFY AGREED PURPOSE TO WHICH FUNDS WILL BE PUT. BORG

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## Message Attributes

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